

FIFTY-SIXTH
Annual Report
1956



NEW YORK DOCK COMPANY

BOARD OF DIRECTORS

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HAROLD J. CASTER, *Vice President
of the Company*

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Investment Counselor

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Hettinger Brothers*

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WILLIAM G. ROBERTS, *Vice President and Secretary
of the Company*

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Hettinger Brothers*

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WILLIAM G. ROBERTS, *Vice President and Secretary*

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MAY C. CULLEN *Assistant Secretary*

EDWARD F. KING *Assistant Treasurer*

JOHN F. McGLINN *Assistant Treasurer*

TRANSFER AGENT

MANUFACTURERS TRUST COMPANY
55 Broad Street, New York 15, N. Y.

REGISTRAR OF STOCK

GUARANTY TRUST COMPANY OF NEW YORK
140 Broadway, New York 15, N. Y.

NEW YORK DOCK COMPANY

JORALEMON & FURMAN STREETS

BROOKLYN 1, NEW YORK

March 29, 1957

To the Stockholders:

The year 1956 was one of major changes in the business and affairs of your Company.

With the consent of the stockholders given at a special meeting in December 1955, the Company sold to The Port of New York Authority on March 1, 1956, the properties used in the pier and warehouse business and some older industrial buildings. The proceeds of sale, after payment of mortgage indebtedness and other obligations, were temporarily invested in short-term notes of the United States of America.

Proposals to retire preferred stock and to change the objects and purposes for which the Company was incorporated were approved by the stockholders at the annual meeting in April 1956.

Since March 1, 1956 the activities of the Company have been confined to the operation of the properties retained, which are rented for industrial and railway use, the operation of its wholly-owned subsidiary, New York Dock Railway, and the investment of available funds in marketable securities of other corporations.

In order to take advantage of investment opportunities deemed attractive by the Board of Directors, the Company borrowed from banks during the course of the year the total sum of \$1,500,000.

The Company has opened an office in Reading, Pennsylvania, where some of its business is conducted.

Net income for the year 1956 amounted to \$904,423, as follows:

Net income before extraordinary income and Federal income taxes.....	\$ 701,690
Extraordinary income:	
Profit realized on securities sold.....	324,327
Refund of prior years' real estate taxes.....	300,539
Sundry reserves no longer required.....	80,000
Miscellaneous.....	(2,133)
Net income before provision for Federal income taxes...	\$1,404,423
Provision for Federal income taxes.....	500,000
Net income for the year.....	<u>\$ 904,423</u>

The refund of prior years' real estate taxes included above resulted from the settlement of certiorari proceedings covering the taxable years 1951/52 through 1955/56.

The loss on the sale of properties to The Port of New York Authority on March 1, 1956 and expenses related thereto have been charged directly to earned surplus. The loss will be taken as a deduction in the Company's 1956 tax return and claims for refunds of taxes paid for 1954 and 1955, amounting to \$827,118, will be made. In addition to the refund claims, the Company is entitled to two tax credits aggregating \$1,219,577 for abatement of unpaid Federal income taxes for 1955 and for other tax credits resulting from operating loss carry-backs, as set forth in Note (3) to the financial statements. Pending acceptance of the Company's claims by the Internal Revenue Service, the Company has accumulated a reserve for Federal income tax contingencies equal to the full amount of the claims.

The Company's suit for refund of Federal income taxes, resulting from a loss claimed in its 1950 tax return, is pending in the Court of Claims, but is expected to be disposed of within the next few months. No amount has been included in the balance sheet with respect to the suit.

Dividends of \$5.00 per share on the preferred stock and \$4.00 per share on the common stock were declared out of net earnings for 1956, as follows:

Preferred stock—\$2.50 paid on September 1, 1956 and \$2.50 on March 1, 1957.

Common stock—\$2.00 paid on March 1, 1957 and \$2.00 payable September 3, 1957.

During 1956, the Company retired and cancelled 66,300 shares of preferred stock, leaving 33,700 shares outstanding. Of the shares retired, 10,007 were held in the treasury at December 31, 1955 at a cost of \$892,790; 56,088 shares were purchased at a cost of \$104.50 per share, or \$5,861,196, in accordance with the proposal approved at the 1956 annual meeting of stockholders; and 205 shares were purchased later in the year at a cost of \$21,806. The excess of cost over stated value of such retired shares has been charged in part to capital surplus and in part to earned surplus. The Company also reacquired 2,100 shares of its common stock during the year 1956 and 509 shares in 1957 to date.

Financial statements for the Company and its wholly-owned subsidiary, New York Dock Railway, are shown on pages 4 to 12 of this report.

By Order of the Board of Directors

J. A. MURPHY

President

NEW YORK DOCK COMPANY

Comparative Statement of Income

For the Years Ended December 31, 1956 and 1955

REVENUES:	1956	1955
From operation of properties.....	\$2,152,942	\$5,362,594
Dividends and interest.....	326,053	190,149
Miscellaneous.....	46,800	59,779
	<u>2,525,795</u>	<u>5,612,522</u>
EXPENSES:		
Operating, maintenance and administrative.....	1,287,678	2,584,313
Depreciation.....	135,319	328,937
Taxes, other than Federal income.....	331,289	972,238
Interest on long-term debt.....	39,708	254,159
Miscellaneous.....	30,111	16,536
	<u>1,824,105</u>	<u>4,156,183</u>
	<u>701,690</u>	<u>1,456,339</u>
EXTRAORDINARY CREDITS AND (CHARGES):		
Refund of prior years' real estate taxes.....	300,539	—
Profit realized on securities sold.....	324,327	577,703
Sundry reserves no longer required.....	80,000	—
Net gain from sales of equipment.....	521	118
Miscellaneous, net.....	(2,654)	(80,130)
	<u>702,733</u>	<u>497,691</u>
Net income before provision for Federal income taxes....	<u>1,404,423</u>	<u>1,954,030</u>
PROVISION FOR FEDERAL INCOME TAXES (Note 3).....	500,000	825,000
Net income for the year.....	<u>\$ 904,423</u>	<u>\$1,129,030</u>

See accompanying Notes to Financial Statements on pages 8, 9 and 10.

NEW YORK DOCK COMPANY

Statement of Surplus *For the Year Ended December 31, 1956*

CAPITAL SURPLUS

AT DECEMBER 31, 1955.....	\$5,219,584
Deduct portion of capital surplus applicable to 66,300 shares of preferred stock cancelled and retired in 1956.....	2,035,638
AT DECEMBER 31, 1956.....	<u>\$3,183,946</u>

EARNED SURPLUS

AT DECEMBER 31, 1955.....	\$8,040,957
Net income for the year ended December 31, 1956.....	904,423
	<u>8,945,380</u>
Deduct:	
Loss on sale of real estate, wharves, warehouses, etc., including extraordinary expenses relating thereto (Notes 2 and 3)..	\$4,446,424
Excess of cost of 66,300 shares of preferred stock cancelled and retired in 1956 over stated value (\$3,315,000), plus portion of capital surplus applicable to such shares (\$2,035,638)..	1,425,154
Dividends on preferred stock:	
March 1, 1956—\$2.50 per share.....	224,982
September 1, 1956—\$2.50 per share.....	84,610
Dividends on common stock:	
March 1, 1956—\$2.00 per share.....	139,900
	<u>6,321,070</u>
AT DECEMBER 31, 1956.....	<u>\$2,624,310</u>

See accompanying Notes to Financial Statements on pages 8, 9 and 10.

NEW YORK DOCK

Comparative

December 31,

ASSETS

	1956	1955
CURRENT ASSETS:		
Demand deposits and cash on hand	\$ 1,133,014	\$ 1,967,549
Marketable securities at lower of cost or market (quoted market value at December 31, 1956, \$5,732,309).....	5,731,733	2,698,918
Accounts receivable, less allowance for doubtful accounts....	141,542	320,322
Materials and supplies—at cost or lower.....	8,062	54,609
Total current assets.....	7,014,351	5,041,398
OTHER ASSETS:		
Claim for refund of Federal income taxes (Note 3).....	827,118	—
Miscellaneous deposits.....	5,075	5,075
Investment in and advances to New York Dock Railway—less reserve (Note 1).....	1,015,303	1,033,931
Total other assets.....	1,847,496	1,039,006
CAPITAL ASSETS—at book value in 1914 plus subsequent additions at cost, less retirements at cost or estimated cost:		
Real estate (Note 2).....	6,920,123	32,323,817
Equipment, machinery, tools, etc.....	83,943	334,770
	7,004,066	32,658,587
Less—Accumulated depreciation (Note 2).....	920,814	8,397,749
Total capital assets.....	6,083,252	24,260,838
PREPAID EXPENSES AND DEFERRED ITEMS:		
Prepaid insurance.....	25,140	40,890
Other deferred items.....	13,550	213,461
Total prepaid expenses and deferred items.....	38,690	254,351
	\$14,983,789	\$30,595,593

See accompanying Notes to Financial Statements

DOCK COMPANY

Balance Sheet

1956 and 1955

LIABILITIES		1956	1955
CURRENT LIABILITIES:			
Notes payable to banks.....		\$1,500,000	\$ —
Accounts payable and accrued expenses.....		338,345	320,786
Accrued taxes—Estimated.....		196,079	995,992
Accrued interest.....		10,500	104,688
Deposit on contract for sale of properties.....		—	1,396,110
Portion of long-term debt due within one year.....		—	200,000
Total current liabilities.....		2,044,924	3,017,576
LONG-TERM DEBT:			
Note payable, 3¾%, secured by First Mortgage due August 1, 1971.....		—	6,500,000
RESERVES:			
Reserve for Federal income tax contingencies (Note 3).....		2,046,695	—
Reserve for workmen's compensation insurance.....		47,340	117,857
Other reserves.....		18,931	22,932
Unearned revenues.....		—	69,477
Total reserves.....		2,112,966	210,266
CAPITAL STOCK AND SURPLUS:			
Capital stock (Note 4):			
Preferred—\$5.00 non-cumulative—without par value (stated value \$50.00 per share):			
Authorized and issued—33,700 shares (100,000 shares issued, 1955).....		1,685,000	5,000,000
Common—without par value (stated value \$50.00 per share):			
Authorized—219,124 shares (131,404 shares, 1955)			
Issued — 70,000 shares.....		3,500,000	3,500,000
Total capital stock.....		5,185,000	8,500,000
Capital surplus.....		3,183,946	5,219,584
Earned surplus (Notes 2, 3, 5 and 6).....		2,624,310	8,040,957
		10,993,256	21,760,541
Less—Stock reacquired and held in Treasury—2,100 shares Common at cost (10,007 shares Preferred at cost, 1955).....		167,357	892,790
Total capital stock and surplus.....		10,825,899	20,867,751
		\$14,983,789	\$30,595,593

1 Statements on pages 8, 9 and 10.

NEW YORK DOCK COMPANY

Notes to Financial Statements

December 31, 1956

(1) INVESTMENT IN AND ADVANCES TO NEW YORK DOCK RAILWAY:

The Company owns three shares of the common stock of New York Dock Railway, being all of such stock outstanding. At December 31, 1956 the amount of the Company's investment and advances to this subsidiary was the same as its equity in the subsidiary's net assets as shown by the balance sheet of the latter.

Financial statements pertaining to the Railway are shown on pages 11 and 12.

(2) PROPERTY SOLD ON MARCH 1, 1956:

On March 1, 1956, the Company sold certain of its properties to The Port of New York Authority for a cash consideration of \$13,961,100. The net book value of the properties sold aggregated \$17,968,115. The Company has charged \$4,446,424 against earned surplus to cover (1) the loss on the sale and (2) extraordinary expenses arising out of the sale of the properties and the satisfaction of the related mortgage.

Details of the special charge are as follows:

Book value of properties sold.....	\$25,325,411	
Less accumulated depreciation.....	7,357,296	
Net book value.....	17,968,115	
Proceeds of sale.....	13,961,100	
Loss on sale of properties.....	4,007,015	
Extraordinary expenses:		
Premium on retirement of mortgage.....	\$121,735	
Financing expenses deferred in prior years.....	161,592	
Severance pay adjustments to salaried officers and employees.....	83,746	
Other miscellaneous expenses arising out of the sale of the properties.....	72,336	439,409
Special charge to earned surplus.....		<u>\$4,446,424</u>

(3) FEDERAL INCOME TAXES:

(a) Claims for refund of Federal income taxes resulting from operating loss carry-backs:

For income tax purposes, the adjusted basis of the depreciable property sold to The Port of New York Authority approximates the net book value; however, the adjusted basis of the land sold to said Authority has not been definitely determined. Substantially all said land had been owned by the Company since its incorporation in 1901 and it is believed that the basis for determining the amount of the tax loss relating to its sale is greater than its book value at March 1, 1956, the date of the sale. If such be the case, the loss allowable for income tax purposes would be greater than the book loss. The amount of loss allowable for income tax purposes is, however, still to be determined. Based solely

upon the book loss on the sale of the property, the Company is entitled to claim income tax refunds amounting to \$827,118, being the full amount of Federal income taxes actually paid for the year 1954 plus the portion of the 1955 income tax paid prior to March 1, 1956, when the sale was consummated.

(b) *Claims for abatement of unpaid Federal income taxes for 1955 and other tax credits resulting from operating loss carry-backs:*

In addition to the refund claims referred to in the preceding paragraph, the Company is entitled to claim two other credits amounting to \$719,577 and \$500,000 respectively.

The \$719,577 credit covers the unpaid portion of the 1955 Federal income taxes, a claim for abatement of which is being filed under the carry-back provisions of the Internal Revenue Code. This unpaid amount has now been transferred as a credit to reserve for Federal income tax contingencies, pending acceptance of the Company's abatement claims by the Internal Revenue Service.

The \$500,000 credit covers the Federal income tax provision charged to income in 1956 and credited to reserve for Federal income tax contingencies, pending acceptance of the Company's refund and abatement claims and pending determination of the amount of the loss allowable for income tax purposes on the property sold to The Port of New York Authority on March 1, 1956.

The total amount of income tax credits applied in the accounts to reserve for Federal income tax contingencies is accordingly \$2,046,695, as follows:

Claims for refund for taxes paid for year 1954 and two installments paid for year 1955.....	\$ 827,118
Claim for abatement of unpaid portion of taxes for year 1955....	719,577
Amount of provision charged to income for year 1956, based upon taxable income before deducting any loss on sale of properties	500,000
Total credits.....	<u>\$2,046,695</u>

The Company has thus accumulated a reserve for Federal income tax contingencies equal to the full amount of its claims for income tax refunds and other tax credits arising out of the loss on the sale of property to The Port of New York Authority on March 1, 1956 and it is its intention to transfer to earned surplus as a reduction of the loss on said sale the amount of tax allowances which it may eventually receive on account of such claims and credits.

(c) *Suit filed in the Court of Claims:*

The suit, filed by the Company in the Court of Claims seeking to establish as an allowable deduction for Federal income tax purposes certain uncollectible indebtedness due from a former subsidiary, has not yet come to trial. In its Federal income tax return for the year 1950, the Company had claimed a deduction on account of the bad debt loss, but the claim was disallowed and the related additional taxes were subsequently paid. It is anticipated that, if the Company's suit is successful, substantial tax refunds will become available for 1949 and subsequent years. Approximately 35% of such tax refunds including interest and after deducting certain taxes and expenses paid in connection therewith, will be payable to holders of Preferred Stock who surrendered their stock for cancellation and retirement under options made available to all holders of Preferred Stock during the period from April 24, 1956 to July 24, 1956. No amount has been included in the balance sheet with respect to these possible refunds.

(4) **CAPITAL STOCK:**

The preferred stock is entitled to non-cumulative dividends to the extent of \$5.00 per share out of the net earnings of each fiscal year before any dividends for such year shall be paid on the common stock. In

any year in which dividends of \$5.00 per share have been declared on both common and preferred stocks, all shares of stock, whether preferred or common, participate equally in any further dividends for such year. The preferred stock has no preference over the common stock in the event of dissolution or distribution of the assets of the Company.

(5) RESTRICTION OF EARNED SURPLUS:

Earned surplus is restricted in the amount of \$167,357, the cost of common stock reacquired and held in the treasury.

(6) DIVIDENDS:

On January 29, 1957 dividends were declared payable March 1, 1957 in the amount of \$2.50 per share on preferred stock and \$2.00 per share on common stock; a further dividend of \$2.00 per share on common stock was also declared payable September 3, 1957. The aggregate amount of dividends paid on March 1, 1957 was \$219,032.

Accountants' Report

TO THE BOARD OF DIRECTORS,
New York Dock Company:

We have examined the balance sheet of New York Dock Company as of December 31, 1956 and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of New York Dock Company at December 31, 1956 and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.
Certified Public Accountants

New York, N. Y.
March 21, 1957.

NEW YORK DOCK RAILWAY
Comparative Balance Sheet, December 31, 1956 and 1955

	ASSETS	1956	1955
INVESTMENTS:			
Road and equipment property, at cost:			
Road and structures.....		\$ 421,131	\$ 394,036
Equipment.....		772,157	772,495
		<u>1,193,288</u>	<u>1,166,531</u>
Less accrued depreciation.....		392,595	371,638
		<u>800,693</u>	<u>794,893</u>
Land, at cost.....		110,588	110,588
		<u>911,281</u>	<u>905,481</u>
CURRENT ASSETS:			
Cash.....		55,400	29,799
Accounts receivable.....		187,623	160,598
Materials and supplies.....		31,593	31,221
		<u>274,616</u>	<u>221,618</u>
SPECIAL DEPOSITS:			
Securities deposited with Comptroller of the City of New York, at cost.....		15,234	15,234
Workmen's compensation insurance—deposit premiums.....		41,258	17,708
		<u>56,492</u>	<u>32,942</u>
UNADJUSTED DEBITS:			
Insurance premiums paid in advance.....		10,955	13,096
Marine damage claims.....		—	56,659
Miscellaneous.....		4,454	3,899
		<u>15,409</u>	<u>73,654</u>
		<u>\$1,257,798</u>	<u>\$1,233,695</u>
	LIABILITIES		
CAPITAL STOCK:			
Preferred 6% cumulative:			
Authorized, 4,500 shares, par value \$100.00 per share			
Issued and outstanding, 30 shares.....		\$ 3,000	\$ 3,000
Less held for retirement, 30 shares.....		3,000	3,000
Common:		<u>—</u>	<u>—</u>
Authorized, 500 shares, par value \$100.00 per share			
Issued and outstanding, 3 shares.....		300	300
CURRENT LIABILITIES:			
Accounts payable and accrued expenses.....		210,090	171,154
Accrued taxes.....		32,405	28,610
		<u>242,495</u>	<u>199,764</u>
New York Dock Company—current account.....		1,413,871	1,452,260
		<u>1,656,366</u>	<u>1,652,024</u>
SURPLUS (DEFICIT):			
Paid-in surplus.....		3,000	3,000
Earned surplus (deficit).....		(401,868)	(421,629)
		<u>(398,868)</u>	<u>(418,629)</u>
		<u>\$1,257,798</u>	<u>\$1,233,695</u>

NOTE: Included in Equipment is a deposit of \$52,400, representing 10% payment on the purchase of two carfloats which were contracted for in the amount of approximately \$524,000 for delivery in 1957.

NEW YORK DOCK RAILWAY

Comparative Statement of Income and Earned Surplus (Deficit) For the Years Ended December 31, 1956 and December 31, 1955

	1956	1955
Operating revenues.....	\$1,510,740	\$1,568,680
Operating expenses.....	999,935	1,025,195
Depreciation.....	37,695	38,390
Tax accruals.....	93,820	123,942
	<u>1,131,450</u>	<u>1,187,527</u>
Net railway operating income.....	379,290	381,153
Miscellaneous other income.....	10,167	15,702
	<u>389,457</u>	<u>396,855</u>
FIXED CHARGES:		
Rent for leased road.....	293,878	309,685
Interest.....	75,818	76,408
	<u>369,696</u>	<u>386,093</u>
Net income for the period.....	19,761	10,762
Balance of earned surplus (deficit) beginning of period.....	(421,629)	(432,391)
Earned surplus (deficit) at end of period.....	<u>\$ (401,868)</u>	<u>\$ (421,629)</u>

NOTE: Depreciation has been provided on a straight-line basis at rates prescribed by the Interstate Commerce Commission. The practice of the Railway with reference to maintenance, repairs, renewals, retirements and other disposals of properties is in accordance with regulations prescribed by the Interstate Commerce Commission.

Accountants' Report

TO THE BOARD OF DIRECTORS OF NEW YORK DOCK RAILWAY:

We have examined the balance sheet of New York Dock Railway as of December 31, 1956 and the related statement of income and surplus for the year then ended. We did not request confirmation of the balances receivable from the various debtors of the Company. Neither did we participate in the physical inventory of the materials and supplies on hand. In lieu thereof, we satisfied ourselves as to these assets by alternative auditing procedures. In all other respects our examination was made in accordance with generally accepted auditing standards, and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of New York Dock Railway at December 31, 1956 and the results of its operations for the year then ended, in conformity with principles of accounting prescribed by the Interstate Commerce Commission applied on a basis which is consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.
Certified Public Accountants

New York, N. Y.,
March 21, 1957.

